BRITISH COLUMBIA UTILITIES COMMISSION

Service Plan
for the period
2002/2003 through 2004/2005

January 30, 2002

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1.0 OVERVIEW OF THE BRITISH COLUMBIA UTILITIES COMMISSION

The British Columbia Utilities Commission ("the Commission", "BCUC") is a regulatory agency of the Provincial Government, operating under and administering the Utilities Commission Act ("UCA", "the Act"). The Commission's primary responsibility is the regulation of the energy utilities under its jurisdiction to ensure that the rates charged for energy are fair, just and reasonable, and that utility operations provide safe, adequate and secure service to their customers. It approves the construction of new facilities planned by utilities and their issuance of securities. The Commission's function is quasi-judicial and it has the power to make legally binding rulings. Decisions and Orders of the Commission may be appealed to the Court of Appeal on questions of law or jurisdiction.

The Commission also reviews energy-related matters referred to it by Cabinet. These inquiries usually involve public hearings, followed by a report and recommendations to Cabinet. In addition, under Part 7 of the Pipeline Act, the Commission establishes tolls and conditions of service for intraprovincial oil pipelines. The Commission also has responsibilities under the UCA for electricity transmission facilities and energy supply contracts, matters that are likely to become more active as the reorganization of the energy industry proceeds.

The Act provides for a Chair, one or more Deputy Chairs, up to seven Commissioners (including the Chair and Deputy Chair[s]), and Temporary Commissioners. All are appointed by the Lieutenant Governor in Council. As of January 2002, there are four Temporary Commissioners and the Chair. The Commission staff of 19 is made up of professional engineers, accountants, economists, and administrative staff. The Commission and staff are located in Vancouver at 900 Howe Street.

The Commission has been self-funded since 1988. Its annual budget ranges between $3.0 and $3.5 million. Its costs are recovered primarily through a levy on the public utilities it regulates, plus smaller amounts from intraprovincial pipelines.

Over the last decade, the Commission has successfully reorganized, downsized, and reduced its costs. Over the same period, the Commission has increased the effectiveness of its regulatory methods in an increasingly complex energy environment by streamlining its processes and adopting methods such as pre-hearing conferences, performance-based regulation and negotiated settlements.

2.0 STRATEGIC CONTEXT

2.1 Vision:

A statement describing the organization's desired future state.

To be a leader in the regulation of energy providers within the mandate of the British Columbia Utilities Commission Act, and to be respected for our independence, professionalism and competence.

2.2 Mission:

A statement outlining the primary purpose of the government organization, the business it is in.

The Commission's mission is to ensure that ratepayers receive safe, reliable, and non-discriminatory energy services at fair rates from the utilities it regulates, and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.

2.3 Values:

The core values and principles that guide organizational behavior.

The Commission is committed to realizing its vision and mission by:

- *Applying* regulatory principles, research, and industry knowledge to resolve energy utility problems and render decisions that are timely, fair, workable and respected.

- *Writing* high quality decisions, reports and publications.

- *Communicating* in an effective and timely manner with co-workers, utilities, ratepayers, government and the public.

- *Promoting* learning, innovation, creativity, and the achievement of personal and professional goals.

- *Building* a work environment that fosters teamwork, cooperation, and respect for the diversity, skills and experience of individuals.

2.4 Environmental Scan and Key Objectives:

An analysis of the external economic and business environment, the implications for the organization's performance and key strategic issues, including risks and internal pressures, for the planning period. This should facilitate a clear understanding of the strategic issues facing the BCUC, and should refer to the Core Services Review process and the likelihood that this may result in changes in the strategies and services outlined in the plan.

As the energy and utility industries undergo dramatic change and continental integration continues, regulatory agencies face new challenges in protecting the interests of both ratepayers and utilities.

The most serious recent development was the sharp increase in the continental market price for natural gas in the winter of 2000/01. In particular on the west coast, from southern British Columbia to California, an additional significant upward spot price spike occurred when this market "disconnected" from the general North American upward trend for several months. Soaring prices had a significant impact on consumers' cost of living and businesses' operating costs. In British Columbia and elsewhere there was a public expectation that regulators could somehow "save" consumers from high gas commodity costs, even though they have been set by market forces and passed on to the customers without mark-up by the utilities for over 15 years. Although the competitive market for the natural gas commodity is not regulated by the BCUC, mechanisms are put in place in British Columbia that tend to smooth out the fluctuations in gas costs compared to those in Alberta, so British Columbia customers tend to pay less than the full gas cost when gas prices are high and pay slightly more than the actual cost when gas prices are low. Due in part from the economic downturn in the United States and Canada, spot prices have moderated for the winter of 2001/02; however, commodity prices in the future are expected to remain volatile and at levels that are generally higher than prior to 2000.

Unlike natural gas, electricity rates in British Columbia have been based on the costs of generation, transmission and distribution. For B.C. Hydro customers, rates have been frozen until March 2003. Meanwhile, the Commission has instituted transmission access principles and tariffs for B.C. Hydro and UtiliCorp Networks Canada (formerly West Kootenay Power Ltd.) to allow these utilities to participate in regional electricity markets. In the western United States low levels of electricity infrastructure investment, low precipitation, and growing demand led to abnormally high market prices and shortages during peak periods in 2000. In 2001, a reversal of these factors led to a surplus of electricity and a reduction in the market prices for electricity. Under current government policy, B.C. Hydro ratepayers and British Columbia taxpayers both benefit from electricity trade revenues. These revenues have been reduced in 2001/02 due to the decrease in market prices.

The trend towards reorganization in energy markets throughout North America is leading to increased pressure on the BCUC from customers and energy providers alike to ensure that customers are offered more options, and that utility services are provided in a fair, open and non-discriminatory manner. The entry of non-regulated companies, including affiliates of regulated utilities, increases the complexity of regulating energy utility services. The recent Interim Report of the Task Force on Energy Policy implies that the Commission will take on expanded responsibilities to separate and regulate electricity generation, transmission and distribution utilities. A necessary condition for securing competitive prices for natural gas and electricity is that remaining monopoly transmission and distribution utilities be regulated to ensure market participants receive fair access to deliver their energy at non-discriminatory rates. In addition, it will be necessary to oversee any transition to competitive conditions in the electricity generation.

A challenge for government and regulators will be to find suitable long-term planning and management mechanisms which are compatible with energy market changes. The Interim Report of the Task Force on Energy Policy highlights the need for new sources of electricity supply. Regional issues include energy supply to Vancouver Island, BC Gas' proposed Inland Pacific Connector Pipeline and the lack of natural gas storage capacity near the Lower Mainland.

An increasingly important factor to government, consumers, energy producers and transporters is energy trade with other jurisdictions. The BCUC continues to explore with other regulators harmonization, standardization, and streamlining of regulation within the limits of enabling legislation. Recent events in California have highlighted the need to ensure that British Columbia energy consumers will receive adequate protection in a liberalized market-place.

The BCUC has ties with tribunals in neighbouring provinces and states, and participates in cross-jurisdictional initiatives such as Regional Transmission Organization ("RTO") formation. The Commission also plays an active role in the Canadian Association of Members of Public Utility Tribunals ("CAMPUT"). The BCUC's regulatory "tool kit" for implementing provincial policy includes public hearings, Alternative Dispute Resolution, incentive mechanisms, workshops, and information publications.

The results of the Government's reviews of provincial energy policy and the mandates of the BCUC, B.C. Hydro, and other provincial energy-related organizations, may have a significant impact on the factors addressed in this Service Plan and on the Commission's role in addressing issues such as those outlined above.

3.0 GOALS, OBJECTIVES, KEY STRATEGIES, PERFORMANCE MEASURES AND TARGETS

3.1 Goals:

Goals are the organization's intentions. They are appropriate to the vision and mission. Goals describe what outcomes must be realized in order to achieve the vision.

As an economic regulatory agency, the BCUC strives to produce fair and equitable decisions and findings with due diligence, at a reasonable cost, and in accordance with the principles of due process. To this end, the BCUC will pursue the following goals, in order to achieve its mission of safe, reliable and non-discriminatory energy services to ratepayers at fair rates, while allowing utility shareholders the opportunity to earn a fair return on their investments.

To Ensure the Financial Viability of Utilities

The Commission has a legislated responsibility in its oversight capacity to maintain the viability of energy utilities and ensure they are capable of providing high quality service to customers. Specific areas of detailed attention include providing a reasonable opportunity to earn a fair return on shareholder capital; appraising the utilities' access to credit facilities and debt financing; and evaluating the stability of investments compared to possible future customer revenues to support the investments. (see Chart 1.1)

To Maintain and Improve the Quality and Reliability of Utility Service

Experiences in other jurisdictions have shown that market liberalization will be accompanied by challenges to service quality and reliability. The BCUC will need to consider new approaches to ensure that market evolution does not impair the quality or reliability of service to customers. For natural gas systems, the BCUC requires a high degree of reliability to ensure that during high demand at peak periods the supply to firm customers is not constrained by the existing gas pipeline transmission system or storage facilities. The Commission is also working with gas utilities and marketers to ensure that increased customer choice in gas supply can move forward without damaging security or reliability of supply. In the electricity sector, increased reliance on options such as independent power production and electricity trade is anticipated, placing more emphasis on establishing and meeting reliability criteria within utility systems and across jurisdictional boundaries. Consequently, the BCUC's goal in ensuring quality, reliability and the security of utility services will become even more important. (see Chart 1.2)

To Maintain and Improve Customer Satisfaction With Utility Services

The BCUC requires that utilities provide a high level of accountability to their ratepayers and expects that customer satisfaction levels should be maintained or improved, and systematically reported. Over the planning period when liberalization measures are anticipated, the Commission will be preparing for a modified regulatory framework, consistent with legislation and stated government policy, so that residential, commercial and industrial customers can benefit from new market entrants and increased choices. Improved communications to inform and educate customers about the options available to them will be needed. (see Chart 1.3)

To Enhance Provincial Competitiveness Through Non-Discriminatory Services

The electricity and gas sectors have had a history of development based on integrated monopolies. However, both sectors now have to deal with demands for access by third parties such as independent generators and traders. For those who wish to buy gas from a supplier other than their delivery utility, the BCUC must ensure that non-discriminatory charges and effective commodity purchasing options are available. The BCUC recognizes that efficient institutional arrangements are essential for reform in the electricity sector during the term of this Service Plan (e.g., membership in an RTO by electrical utilities with transmission assets). (see Chart 1.4)

To Enhance Provincial Competitiveness Through Containment of Cost of Service Increases

For many years the BCUC has been successful in limiting the increases in the real cost of utility energy service to ratepayers. New technologies and economies of scale have helped. However, some utility infrastructure is reaching the end of its useful life or limits to its capacity, and increased monitoring of system integrity and capital additions may be needed at considerable cost. The Commission is responsible for ensuring that new facilities are planned and located efficiently, and that appropriate incentives to undertake needed investments are in place. With the volatility in unregulated commodity prices, the BCUC requires that gas utilities purchase supplies prudently and are able to hedge and manage risks in commodity purchasing and trading. (see Chart 1.5)

3.2 Objectives:

Objectives are the organization's intended results for the planning period. Objectives are specific and measurable by results or outcomes.

To Maintain and Improve Public and Worker Safety, and to Enhance the Reliability of Utility Services

The safety of the public and utility workers is paramount. The Commission participates in the implementation of effective standards such as Reliability Agreements between the regional Western System Coordinating Council (expected to become the Western Electricity Coordinating Council in spring of 2002) and transmission operators. Results-based regulation through performance standards and financial incentives are also used by the Commission to ensure that service quality and employee safety are not sacrificed as a result of operating in a Performance Based Rate-setting ("PBR") environment. (see Chart 2.1)

To Continue to Control and Reduce the Cost of Regulation

Since the Commission fully recovers its costs from the utilities it regulates, it is the ratepayers who pay for the regulatory services they receive. The Commission has been very successful in reducing its own costs of regulation to a level which is less than one-half a cent per gigajoule of energy sold, or less than one-tenth of one percent of the revenues collected by utilities. The Commission now employs only a small group of expert and specialized staff to achieve its mandated responsibilities, and continues to seek ways to keep its costs low through more efficient regulatory techniques such as the use of PBR and negotiated settlement processes.

All provinces and territories regulate energy utility monopolies. (The BCUC provides staff support under consulting contracts to Yukon and Saskatchewan.) As indicated by the comparative table on the following page, the BCUC is the most efficient and effective energy utility regulator in Canada.

Comparisons with Other Jurisdictions

	Members	Staff	Budget	Per Capita Cost of Regulation
B.C. Utilities Commission	1 full-time Chair 4 Temporary Commissioners	20	$3.3 million, fully cost recovered	$ 0.81/year
Ontario Energy Board	8 full-time Commissioners, including Chair and 2 Vice Chairs 8 part-time Commissioners	101	$20.3 million, fully cost recovered	$1.74/year
Quebec Régie de l'énergie	7 full-time Commissioners, including Chair 2 part-time Commissioners	66	$7.2 million, fully cost recovered	$0.98/year
Newfoundland Board of Commissioners of Public Utilities	3 full-time Commissioners, including Chair and Vice Chair 5 part-time Commissioners	10	$1.7 million, fully cost recovered (30% is insurance regulation)	$2.23/year (excluding insurance regulation)
Alberta Energy and Utilities Board	8 full-time Members, including Chair	40 "utilities" staff 700 "oil and gas" staff	$80.6 million, 78% cost recovered, 22% funded by government	not comparable
National Energy Board	8 full-time Members, including Chair and 2 Vice Chairs 6 part-time Members	281	$30.0 million, 90% cost recovered, 10% funded by government	not comparable

To monitor and improve its performance, the Commission annually tracks several indicators:

- Commission expenditures
- Staff levels
- Cost of regulation per customer
- Cost of regulation per unit of energy sold
- Number of Decisions issued
- Number of formal proceeding days spent in Commission hearings, hearings related to reviews ordered by the Lieutenant Governor in Council, and in Alternative Dispute Resolution
- Complaints and inquiries about utility service or rates

The Commission's performance over time with respect to expenditures, staff levels, and cost of regulation per customer and per unit of energy sold, is shown in Appendix A, Charts A-1 through A-4.

Since 1990, the Commission has reduced staff levels by over one third, while more than doubling its work output measured by the number of Decisions issued. In real terms, the cost of regulation per utility customer has fallen by approximately 55 percent since 1988/89.

The BCUC continues to monitor and amend its Participant Assistance/Cost Award Guidelines to ensure that intervenors' submissions are useful, that their efforts do not duplicate each other's, and that costs claimed are reasonable. (see Chart 2.2)

To Improve Communications About, and Ratepayer Satisfaction With, BCUC Regulatory Matters

The BCUC has tried to make its regulatory process friendlier and more accessible through its publications, website, public workshops, and evening sessions at hearings. It continues to strive to improve its communication efforts, including the level of public awareness of, and satisfaction with, the Commission's information services and the assistance available to participants at proceedings. It informs consumers, intervenors, and the public about its operation, procedures, timetables and decisions while maintaining its objectivity, independence and impartiality. (see Chart 2.3)

3.3 Key Strategies:

Developing key strategies involve identifying the macro-level trends to which the BCUC must respond. This includes identifying forces that may impede stated objectives. Key strategies are developed from a planning process that evaluates actions and initiatives required to achieve stated goals and objectives.

The main trends in the energy sector that will influence the regulatory role of the BCUC over the next three years are: (i) the restructuring of B.C. Hydro and a changing regulatory role in unbundled services in power generation, transmission and distribution; (ii) further unbundling and customer choice in natural gas markets; and (iii) an integrated continental energy market leading to continued volatility in prices of both natural gas and electricity commodities, and requiring coordination of business systems and regulation to permit access to this market.

To Continue its Efforts to Streamline the Regulatory Process

The Commission already uses mechanisms which are alternatives or complementary to traditional public hearings. These include technical workshops and meetings, pre-hearing conferences, working groups, and negotiated settlements. Multi-year performance-based revenue requirements agreements, including an automatic adjustment formula setting rates of return on equity, are replacing annual hearings for each utility. More recent examples are the quarterly reviews of utility gas commodity costs to smooth rate changes during times of volatile gas prices; and incentive or performance-based mechanisms designed to improve and reward exceptional utility performance while reducing costs and increasing consumer satisfaction. (see Chart 3.1)

To Review and Improve the BCUC's Work Processes

In order to continue to deliver quality regulatory services at reasonable cost, the Commission needs to periodically review its organization to clearly define each person's and each unit's responsibilities. It also emphasizes teamwork, complementarity among the units, an approach to performance evaluation based on results, and succession planning. (see Chart 3.1)

3.4 Performance Measures and Targets:

Measuring performance is an evaluative process to track the effectiveness of strategies. Targets are set to define the level of performance that the organization is setting out to attain.

The Commission's effectiveness and efficiency are functions of the organizational structure. The Commission meets regularly to review staff recommendations, to authorize the issuance of Commission Orders or other directives considered necessary and in the public interest, to review complaints, and to conduct other necessary Commission business.

The Commission staff is made up of two main sections, the Information Services Group and the Regulatory Affairs and Planning Group. The Information Services Group handles complaints from ratepayers, provides research support, and compiles statistics and information to respond to inquiries from the public. The Regulatory Affairs and Planning Group comprises three units offering a range of functions: strategic services, rates and finance, and engineering and commodity markets.

The regulatory tasks are carried out using an inter-disciplinary team approach. The team assigned to a task is normally composed of specialists from disciplines of engineering, accounting and economics and is advised, as appropriate, by legal counsel and specialist consultants retained by the Commission. The BCUC's target for the next three years is to continue to render timely, fair, workable and respected decisions while holding expenditures and the cost of regulation per customer and per unit of energy sold at current levels in real terms. Key performance measures, quantified annually since the late 1980s, are given in Charts A-1 through A-4 in Appendix A.

Most of the Commission's major service activities are specific to particular utility initiatives. Details of these activities and their respective performance as measured by output, outcome, target and quality indicators are summarized in Charts 1.1 to 1.5, Charts 2.1 to 2.3, and Chart 3.1 below.

Chart 1.1 **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
Ensure Financial Viability of Utilities Ensure that utilities are financially viable and capable of providing high quality service to customers.	(a) Return on Equity (ROE) Annual calculation of the ROE for a low-risk bench-mark utility.	Calculation of the low-risk benchmark ROE at the end of each year so that utilities can incorporate the results into their rates for the following year.	Publication of the resulting ROE by early December each year for the following year's approved ROE.
	Periodic reviews or public hearings to consider whether any amendment should be made to the ROE adjustment mechanism prior to undertaking the calculation.	Decision based on evidence in a review proceeding on possible amendments to the formula.	Clarity and reasonableness of the Commission's Decision.
	(b) Review and oversight of utility financing, commodity trading and hedging activities, and gas cost variance account balances to ensure that the benefits to ratepayers are not outweighed by the risks involved.	Approval or feedback to the utility on its activities, e.g., BC Gas' November 2001 application to issue debentures from time to time until November 2003.	Mark-to-market reports on hedging activities and comparison of utility commodity trading and financing activities to market conditions. Avoidance of disallowed expenditure and full recovery of all prudent commodity costs.
	Review of B.C. Hydro export trade activities to ensure that utility ratepayers are not put at risk by trading activities.	Requirement for quarterly reports on export trade.	Ongoing review.
	(c) Approval of utilities' capital and operating expenditures.	Approval of capital and expense budgets to be recovered in utility rates.	Sufficient revenue to provide safe and reliable operations and to be financially viable.

Chart 1.2 **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
Maintain and Improve Quality and Reliability of Utility Service Ensure that services are not disrupted and that quality of service remains high. This includes ensuring the security of energy supply especially during peak use periods.	Reviewing customer complaints, reliability and quality of service indicators, gas supply and power purchase plans, and utility capital and operating plans to ensure that necessary expenditures are made and activities undertaken to provide high quality reliable service.	Provisions in incentive settlement agreements to encourage utilities to provide high quality, reliable service based on agreed upon performance indicators. Review of utility capital plans and capital project applications to ensure that appropriate system upgrades are undertaken to accommodate system growth, to monitor and replace aging facilities and to incorporate improved technologies where appropriate.	Results of the performance indicators and statistics compared to previous utility performance and industry standards. Timely decisions with well-articulated reasons, and adequate energy supply during peak periods.

Chart 1.3 **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
Maintain and Improve Customer Satisfaction with Utility Service Customer Satisfaction with utility service is a composite of several factors, some of which are dealt with specifically under separate categories (e.g., safety and reliability, cost containment, non-discriminatory tariffs). Others discussed here include: • operating practices of the utility, • development of new services • options for increased customer choice of commodity supplier	(a) Operating practices The Commission encourages the utilities to undertake "customer-friendly" operating practices by incorporating incentives in multi-year settlement agreements. The Commission also monitors and directs utilities to address issues arising out of customer complaints, and ensures that customers have an opportunity to express their views on utility operations at annual reviews and in negotiated settlement processes or public hearings.	Provision of incentives for utilities to improve service levels. Ongoing feedback and communication between customers, the Commission and the utilities related to service quality issues.	Improvements in service quality indicators over time for each utility. Customer satisfaction with the Commission's management of their complaints, as evaluated by periodic surveys of complainants (first done in 2000).
	(b) The Commission also encourages the development of new services to customers in response to commodity competition and changing customer needs. Examples:	Approval of programs will be based on disclosure of economic information on program costs and consumer benefits. Commission publishes guidelines and other consultation documents.	Establishment of programs that provide benefits to both customers and the utility at fair and non-discriminatory rates through a fair and efficient process.
	Load Shifting trial program on the UtiliCorp Networks Canada system.	The Commission will review a load shifting trial program when the trial ends on December 30, 2001.	Acceptance of the program by the utility and customers or feedback leading to an improved program.
	Application for access to the B.C. Hydro distribution system for wheeling power from Independent Power Producers.	Following the hearing, the Commission established a tariff for the B.C. Hydro distribution system in June 2001.	Just and reasonable rates established through a timely and efficient hearing process.

Chart 1.3 (continued) **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
	(b) - continued Firm commodity sales at market-based or annual fixed prices to industrial customers.	Based on written responses, the Commission approved BC Gas' Rate Schedule 14 offering these options.	Competitive gas supply options provided for industrial customers without adverse cost impacts on other customers.
	(c) The Commission proposes to implement more choice in natural gas supply at the small commercial and residential level by providing customers with the option of buying gas from marketers, and allowing the marketers' gas supply charges to be included on utility bills.	BC Gas - Agency, Billing and Collection and Transportation Service Option (ABC-T). The intent of the program is to enable non-utility suppliers to offer various prices and term options for small customers who wish to buy gas from brokers and marketers. The Commission assesses the cost of this unbundling program and the benefits of choice to potential customers.	Establishment of a workable ABC-T program by November 2003, provided there is sufficient interest and authority for appropriate consumer protection (licensing of marketers).
		ABC-T Service has implications for local government revenues collected under franchise agreements from utilities. Resolution of franchise fee issue with utilities and local governments.	Resolution of franchise fee issues prior to establishment of ABC-T Service.

Chart 1.4 **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
Enhance Provincial Competitiveness Through Non-Discriminatory Services	(a) Rate Design Reviews The Commission undertakes periodic rate design reviews to apportion the revenue requirement fairly to different classes of customer, while ensuring there is no undue discrimination in the rate structures of the utilities.	BC Gas 2001 Rate Design Application and Review. Centra Gas – Review of 2002 Rate Design Application. B.C. Hydro – Application expected in late 2002 or 2003 including review of rates. PNG – an allocated cost of service study to be done in conjunction with its 2003 revenue requirements application.	Rates that are related to costs and fair to each customer group.
	(b) Review of Utility tariffs to ensure that they will apply equally to all customers in similar circumstances.	Tariffs for approved utility programs and services that will respond in a fair and non-discriminatory manner to requests for the service to be provided under the tariff.	Tariffs that provide the same services to different customers at a cost that is fair and non-discriminatory under the circumstances.
	(c) Resolution of Tariff Complaints Monitor and respond to customer complaints that tariffs are not fair or utilities are not following their tariffs.	A resolution to the complaint based on the particular circumstances.	A response from the Commission to the utility and the complainant that provides a well articulated and well-reasoned resolution to the complaint.

Chart 1.4 (continued) **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
In the electricity sector, the Commission is acting to implement new energy products for consumers and to respond to changes in electricity industry.	(d) Regional Transmission Organization Consistent with provincial electricity policies, regulation of transmission operators such as B.C. Hydro and UtiliCorp Networks Canada, and their participation in a larger Regional Transmission Organization (RTO West) for western Canada and the United States.	Transmission rates may have to be unbundled from the current integrated rates.	Review and monitoring of transmission entities and RTO regarding performance, reliability, efficiency and, where applicable, profitability. An efficient transmission system in British Columbia with non-discriminatory rates.

Chart 1.5 **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
Enhance Provincial Competitiveness Through the Containment of Cost of Service Increases	(a) Revenue Requirements Reviews Review of the revenue requirements of utilities' costs to ensure that expenditures are required and reasonable for the activity. This may be done through a public hearing, a negotiated settlement leading to a multi-year incentive agreement with annual reviews.	Approval by the Commission of a settlement agreement, or a Commission Decision approving a certain level of costs to be included in the utilities' rates. Pacific Northern Gas 2002 Revenue Requirements Review BC Gas 2003 Revenue Requirements Revenue Requirements for Smaller Utilities such as UtiliCorp Networks Canada, Centra Gas.	Timely Commission Decisions providing the customers with safe, reliable, reasonably priced services, while allowing the utility the opportunity to earn a fair return on its investment.
	(b) Review of utility major capital projects To ensure that major capital projects are necessary, least-cost and the best alternative, the Commission reviews utility capital projects through applications for Certificates of Public Convenience and Necessity, while providing for an appropriate level of public input, or a combination of hearings and settlement processes.	BC Gas – Approval of Transmission Pipeline Integrity Plan. BC Gas – possible application to construct Inland Pacific pipeline. Centra Whistler – anticipated application to construct a natural gas pipeline.	BC Gas is directed to file an annual report on the expenditures and results of the multi-year plan. A process will be established to review the application. A process will be established to review the application.

Chart 1.5 (continued) **PERFORMANCE MEASURES AND TARGETS TO MEET SPECIFIC GOALS**

Goal	Major Service Activity	Output/Outcome	Target or Quality Indicator
	(c) Utility Gas and Electricity Procurement Oversight It is the Commission's responsibility to ensure that utilities purchase reliable supply of natural gas and electricity at the lowest overall cost.	Under the Act, utilities must file energy supply contracts with the Commission, which is to determine if the contract is in the public interest. Many utilities also file price risk management plans, and/or electricity purchase plans, and file quarterly reports on the results of hedging activities and gas cost variance account balance. BC Gas' Gas Supply Mitigation Incentive Program provides a result-based incentive for the utility to maximize revenue from resale of surplus gas and transmission that offsets cost of gas purchases.	Natural gas and electricity provided to ratepayers at the lowest possible long-term cost consistent with reliable supply and limited exposure to price volatility.

Chart 2.1 **PERFORMANCE MEASURES AND TARGETS TO ACHIEVE PARTICULAR OBJECTIVES**

Objective	Major Service Activity	Output/Outcome	Target or Quality Indicator
To Provide Standards to Maintain and Improve Public and Worker Safety			
Utility equipment should be designed, operated, and maintained to provide safe and reliable service to customers. Some of the natural gas and electricity plant is aging to the point where increased inspections, maintenance, and renewal plans are required.	B.C. Hydro November 2001- and UtiliCorp Networks Canada - Western System Coordinating Council (WSCC)		
	The Commission approves the Reliability Management System Agreement and the Reliability Criteria Agreement, and any changes to them.	Secure and reliable operations resulting from the standards and criteria set out in the Agreements.	British Columbia electricity utilities meet or exceed the applicable safety and reliability standards.
	UtiliCorp Networks Canada and BC Gas have multi-year settlements of revenue requirements that include financial incentives which can only be earned if safety and reliability targets are met.	Measurements against the safety and reliability targets. New safety and reliability measures when new issues are identified.	Improvements in safety and reliability indicators.
	Ongoing monitoring and follow-up of safety-related incidents within the Commission's jurisdiction.	Reports from the utilities on the causes of the incidents and any steps or improvements that can be taken to prevent further incidents.	Reductions in the numbers and severity of safety related incidents.

Chart 2.2 **PERFORMANCE MEASURES AND TARGETS TO ACHIEVE PARTICULAR OBJECTIVES**

Objective	Major Service Activity	Output/Outcome	Target or Quality Indicator
To Control and Reduce the Cost of Regulation	Ongoing review of all Commission activities to determine if they are necessary, and if so, if the activities are the most efficient and cost-effective method for achieving the desired outcome.	Annual Performance Indicators on staff levels, decisions issued, hearing days, Alternative Dispute Resolution days, Commission expenditures, Commission costs per customer, and Commission costs per gigajoule of energy sold.	Maintain Commission budgets and core expenditures at or below current levels, adjusted for inflation, as measured by costs per utility customer and costs per unit of energy sold. Maintain favourable bench-marking of BCUC staffing and budget statistics against those of comparable tribunals (e.g., see table on page 8).
The Commission will use two key strategies to further this objective (See Chart 3.1). *1. Continuing its Efforts to Streamline the Regulatory Processes* *2. Ongoing Review of the BCUC's Work Processes*	The Commission reviews the UCA and Regulations to reduce the regulatory burden. Service provided to other jurisdictions on a consultancy basis.	Outdated regulations have been recommended to be rescinded or cancelled. Staff regularly provide assistance to Yukon Utilities Board and Saskatchewan Rate Review Panel.	Reduce number of regulations or regulatory requirements by up to one-third by 2004/05. Revenue from services offsets BCUC costs and enhances reputation and knowledge of Commission. The Commission currently uses several performance indicators: • staffing levels • number of Decisions issued • number of proceeding days • Commission expenditures • Commission cost per customer and per unit of energy sold The Commission has published these indicators yearly in its Annual Report, and will also report on them in its Annual Service Plan Report.

Chart 2.3 **PERFORMANCE MEASURES AND TARGETS TO ACHIEVE PARTICULAR OBJECTIVES**

Objective	Major Service Activity	Output/Outcome	Target or Quality Indicator
To Improve Communications About, and Ratepayers' Satisfaction With, BCUC Regulatory Matters	(a) The Commission must work toward issuing the clearest possible written decisions and judgements, to enable non-specialists and specialists alike to understand the Commission's reasoning in resolving detailed and complex issues.	Clear, readable and plainly written decisions and orders.	Ongoing feedback from utility personnel and customers.
	(b) The UCA gives the Commission considerable latitude in acting on complaints. Current procedures are articulated in its "Complaints Handling" pamphlet. The Commission must continue to seek out ways to respond to customer complaints and rule on complaints fairly and efficiently, while balancing the needs of the complainant, other customers, and the utility.	As the number and complexity of complaints trend upwards, the Commission plans to review its complaint management process, including the resources it allocates to resolve complaints and the ways it communicates its decisions on complaints.	"Complaints Management Review" Report by mid-2002. In future stakeholder assessments, improved satisfaction levels by complainants with the clarity of the Commission's explanations.
	c) Following from its first "Stakeholder Assessment of the BCUC" completed in December 2000, the Commission will continue to periodically assess the level of public confidence in the regulatory process from representative stakeholders.	Periodic Stakeholders Assessment Reports, including stakeholder satisfaction ratings to compare with baseline ratings.	Maintain and improve satisfaction ratings with the BCUC by utilities, intervenors and complainants.

Chart 3.1 **PERFORMANCE MEASURES AND TARGETS OF KEY STRATEGIES**

Strategy	Major Service Activity	Output/Outcome	Target or Quality Indicator
1. Continue to Streamline the Regulatory Process	Regulatory convergence and cooperation.	Participate in provincial, national, and North American initiatives that promote information sharing, joint processes, reduced duplication, best practices, and common regulatory principles.	BCUC is organizing and hosting the annual educational conference for Canadian regulators, utilities and other interested parties in May 2002. Continue to participate in inter-jurisdictional forums to exchange views and develop harmonized practices where appropriate.
	Periodic reviews or public proceedings such as oral or written hearings to review Commission policies, procedures, programs, processes, and generic decisions.	Publication of Commission Decisions or Guidelines on generic issues such as the multi-year ROE adjustment formula or the Commission's Guidelines on Participant Funding or Utility System Extension Tests.	Ongoing
2. Reviewing and Improving the BCUC's Work Process	(a) Document Logging and Tracking: Computer-based logging, tracking and assignment system implemented since November 2001.	Improved ability to assess internal processes and develop information on efficiency of internal document processing.	Improve information on and reduce response times for routine applications, queries and complaints.
	(b) Review Job Descriptions and Compensation Levels in 2002/03.	Accurate and up-to-date job descriptions and defined compensation ranges, consistent with the Province's forthcoming new compensation mandate.	Spring 2002 review

4.0 SUMMARY FINANCIAL OUTLOOK

Summary Financial Outlook for 2002/03-2004/05 Service Plan

	2001/02 (latest forecast)	**2002/03** (budget)	**2003/04** (forecast)	**2004/05** (forecast)
Total Revenue	$3,295,000	$3,295,000	$3,355,000	$3,355,000
Total Expenses	$3,295,000	$3,295,000	$3,355,000	$3,355,000
Operating Income (loss)	$0	$0	$0	$0
Net Income (loss)	$0	$0	$0	$0

Key Assumptions:

- The Commission continues to fully recover its costs from the utilities it regulates
- The mandate of the B.C. Utilities Commission remains unchanged
- B.C. Hydro transmission and distribution return to full regulation in March 2003

Forecast Risks and Sensitivities:

Energy policy and core services reviews may result in major changes to the function of the BCUC, including an expanded or reduced role in the energy sector, or possibly taking on regulation of monopolies that are currently administered by other government bodies.

5.0 MAJOR CAPITAL PROJECT PLAN

The BCUC has no planned capital projects within the planning period.

6.0 OPERATING SEGMENTS SUMMARY

The BCUC has no subsidiaries or other operating segments.

Chart A-1: Commission Expenditures (Constant 1992 Dollars)

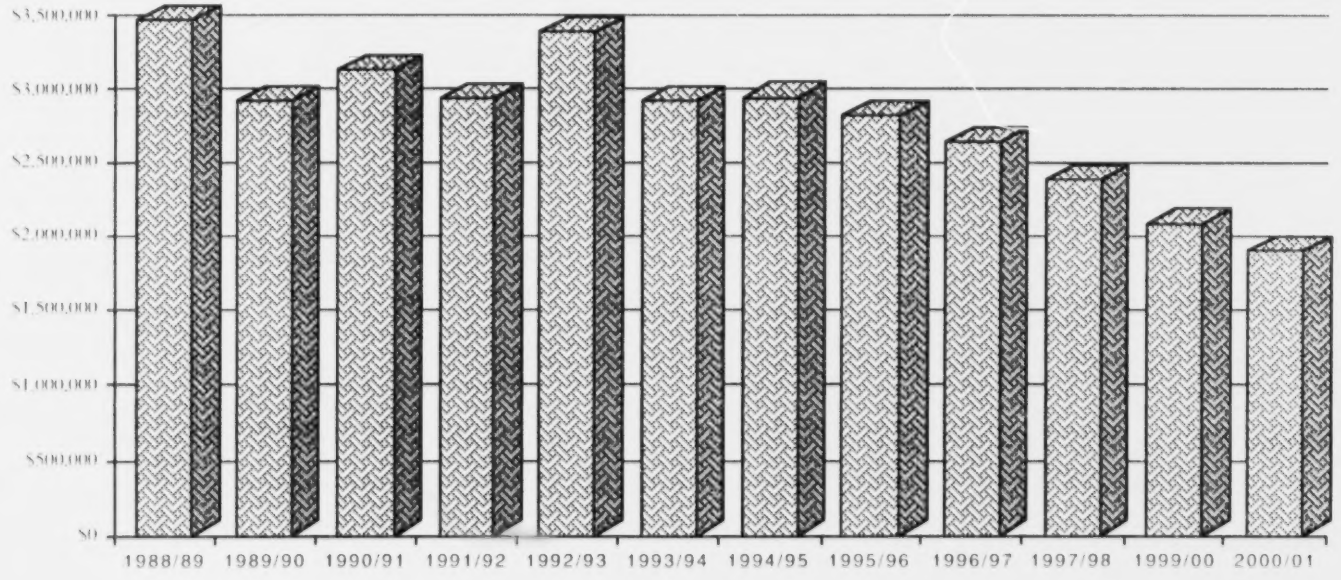

Chart A-2: Staffing Levels

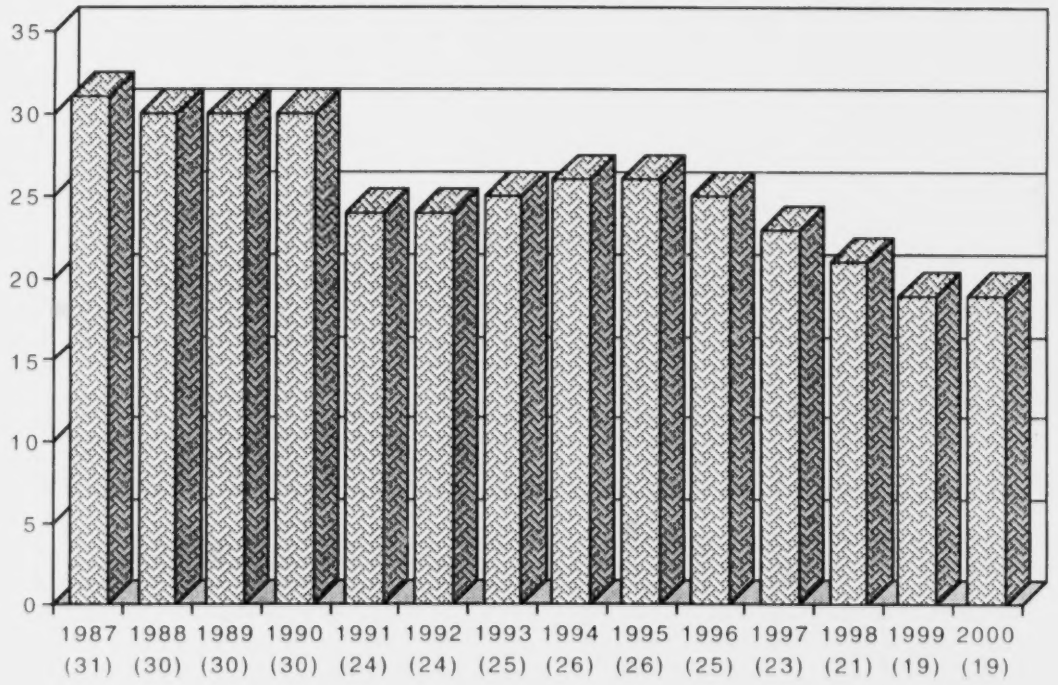

Chart A-3: Cost of Regulation per Customer (Constant 1992 Dollars)

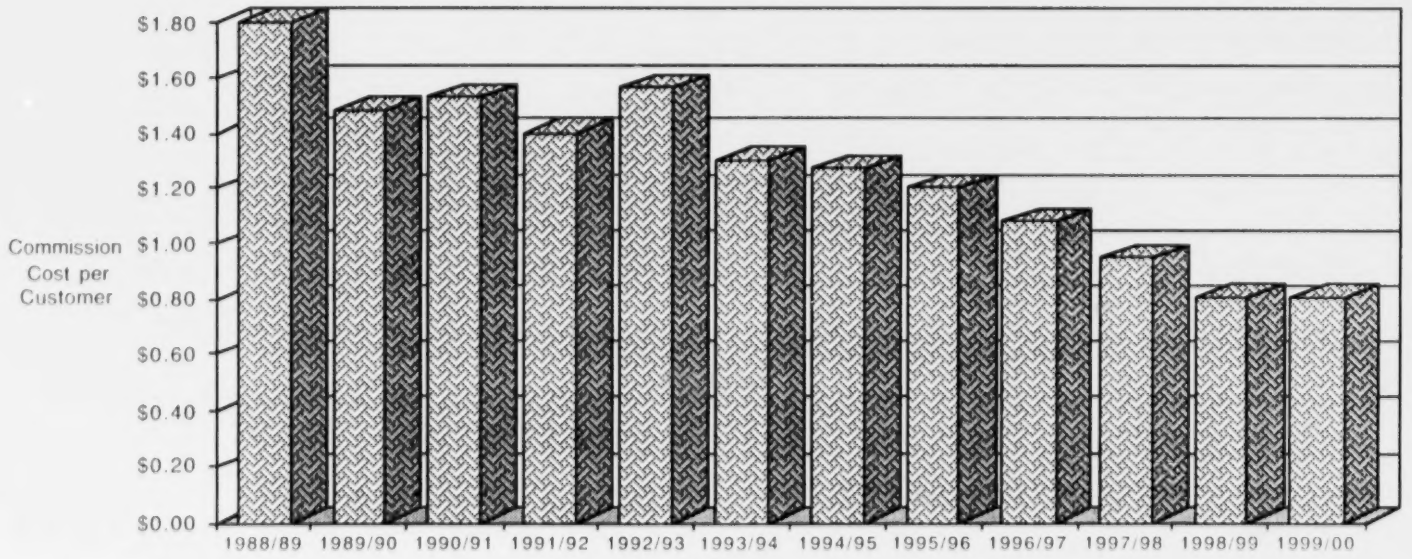

Chart A-4: Cost of Regulation per GJ of Energy Sold (Constant 1992 Cents)